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MARCH 11, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

Focus on new developments

Primary packaging race tightens up

By Gary Hemphill Associate Editor

SPECIAL REPORT—While the primary packaging industry has stagnated over the last year, glass, cans and PET have continued to aggressively compete for their market share.

This competition is reflected in pricing and a surge of new industry developments. In fact, these new developments could produce some drastic changes in the industry in the coming years.

One analyst predicts that by the 1990's "the can and bottle will likely be as anachronistic as is the gourd or ceramic vessel today."

Some of the major advances in the packaging industry over the last year include:

- The introduction of aseptic packaging in the United States;
- The race to find an economically viable .5-L PET container with adequate shelf life;
- The expanded use of PET in the wine industry, prospects for its use in the beer industry and the government's approval of PET for liquor bottles;
- The increasing popularity of plastic closures for glass and PET containers;
- The growth of tamper-evident closures because of the Tylenol poisonings;
- The development of the stackable triple-neck-in can and its acceptance among consumers and industry.

At presstime complete statistics weren't available for the primary packaging industry for 1982. But after the first nine months of the year, Arthur Stupay, market analyst for Prescott Ball and Turben, issued this report at the NSDA convention in Atlanta:

"In soft drinks, glass container shipments are about flat this year due to continued inroads of plastics and the success of the 12-pack promotion of soft drink cans. Canned soft drinks are up by 3.4% through nine months, despite all the economic negatives and the recent success of cans is an excellent example of how aggressive and creative marketing can make a difference if the margins are there for distributors.

"For beer cans have regained some market share from glass as brewers that use cans have scored strong in growth even in the recession. Plastics in the 2-L size are about flat, with 1-L higher. The .5-L PET bottle has made its introduction in the U.S. market in 1982 with modest success."

As for new developments, there have been many. Here is a rundown on the activity in the industry.

Both Continental and Reynolds have been modifying their latest development, the triple-neck can. In addition Ball is working on a similar can.

The major benefit of the triple-neck is cost. Less material is used in the end, the most expensive part of the can, because the diameter is

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BI Week

• Cross-the-board price reductions in a variety of beverage materials, packaging, CO_2, sweeteners are being reported by a number of producers. Reductions range from 3% to 10% depending on location in U.S. and product being purchased. Suppliers are so anxious to hold or gain market share that "you can virtually write your own ticket," unnamed sources tell *BI*.

• Coca-Cola Bottling of Miami says it agreed in "principle" to be acquired by private investment group for $154 million; buyers were not identified. Under proposed terms, Coke Bottling holders would receive $102 for each of their shares. Company has about 1.5 million

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FDA opts not to revise its food labeling policy

WASHINGTON, DC—Soft drinks and other standardized foods will continue to be allowed to use safe and suitable optional ingredients since the Food and Drug Administration (FDA) has dropped a plan to revise this food labeling policy.

Under current regulations, safe and suitable ingredients are those which perform an appropriate function in the food, are used at levels no higher than necessary to achieve the intended purpose, and are either approved food or color additives, prior sanctioned or Generally Recognized As Safe (GRAS).

Over the years, FDA has increased the flexibility of food standards by allowing the use of safe and suitable optional ingredients which fall into specifically naming those particular ingredients.

However, in 1979, FDA, the Federal Trade Commission and Agriculture Department issued tentative positions of food labeling issues, including a proposal to amend the safe and suitable policy for optional ingredients.

The agencies wanted a new policy that applied only to optional functional ingredients used in quantities less than 5%, where functional was defined as any ingredient that did not alter the food's basic characteristics. They also sought requirements that these and suitable ingredients be listed on the product label of standardized foods, and that the term "safe and

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New HHS sec. in on food safety cabinet debate

WASHINGTON, DC—Congress' upcoming food safety debate will have additional input from a new team player—former Rep. Margaret Heckler (R-Mass.) who has replaced Richard Schweiker as Secretary of the Department of Health and Human Services.

Heckler, who did not have vast food and drug experience during her tenure on Capitol Hill, will be working closely with the FDA in its attempt to review the food safety system. As part of that effort, she will chair the President's Cabinet Council on Human Resources, which is responsible for implementing food safety reform recommendations developed by the administration's sub-Cabinet Working Group.

The group released a second draft on food safety

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BI Package of the Week

Tamper-evident closure developed by Dairy Cap

JAMAICA, NY—Dairy Cap Co., located here, a major supplier of bottle caps for dairy products, has developed a plastic mechanical-seal, tamper-evident closure for the beverage industry.

Protecto-Cap can be made in any size and will fit on PET or glass bottles now in the beverage market, said Vincent N. Conti, company president and closure inventor.

He added that the cap was being studied by both Pepsi

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Contents

New developments in primary packaging

Glass, cans and PET have continued to aggressively compete for a share of the primary packaging industry, which is a result of a surge of new industry developments. Some of these new developments could produce some drastic changes in the industry in the coming years.

In this issue's special report, analysts and other experts describe the market potential for 1983 as well as trends and developments stemming from 1982.

One analyst predicts that by the 1990s "the can and bottle will likely be as anachronistic as is the gourd or ceramic vessel today."

Some of the major packaging advances, including use of PET in the wine industry, introduction of aseptic packaging in the U.S. and the growth of tamper-evident closures since the Tylenol killings, are described and analyzed in full. See **page 1**.

FDA drops latest food labeling policy

Soft drinks and other standardized foods will continue to be allowed to use safe and suitable optional ingredients since the Food and Drug Administration (FDA) dropped a plan to revise its food labeling policy.

BI sources in Washington, DC say FDA has increased the flexibility of food standards by allowing the use of safe and suitable ingredients which fall into categories specifically naming those particular ingredients.

However, FDA and two other government agencies wanted a new policy that applied only to optional functional ingredients used in quantities less than 5%, where functional was defined as any ingredient that did not alter the food's basic characteristics.

For more information on this important decision, see **page 1**.

Senkevich: wine sees new faces

The wine industry is the oldest of all beverages and probably the most archaic of the many beverage industries in terms of sales, distribution, merchandising and packaging.

So says John Senkevich, president of the Geyser Peak Winery, Geyserville, CA, in a speech specially prepared for **BI** readers at the NSDA-InterBev conference in Atlanta last November.

Senkevich cites a number of statistics, including the consumption of wine in the US being 15%. That's 85% of all wine, Senkevich points out, adding consumption of beer and soft drinks exceeds 25 and 37 gallons annually, respectively.

He also goes into great detail about "Wine-In-A-Box," a simple concept of wine being placed in a collapsible bag, with an easy to operate spigot on it. The bag is placed in a corrugated or fiberboard carton and merchandising graphics are placed on all six sides of the box.

For more information on Senkevich's views of the wine industry's future and problems, see **page 12**.

Deposit laws and management

Larry Hunt, beverage industry recruiting specialist with Roth Young Personnel Service of Detroit, offers tips and suggestions on how to prepare beverage executives being faced with mandatory deposit legislation.

For example, Hunt says the state of Michigan offers an excellent opportunity to explore what happened to management during the transition to returnables. He points out that it was "easy to see" the impact of the deposit law on manpower in Michigan. Many managers simply left the state because of the returnable system and "the chaos it caused."

He says in states where deposit laws are pending, it's essential that executives in the beverage industry study members of their management team and reinforce them before the law goes into effect. See **page 17**.

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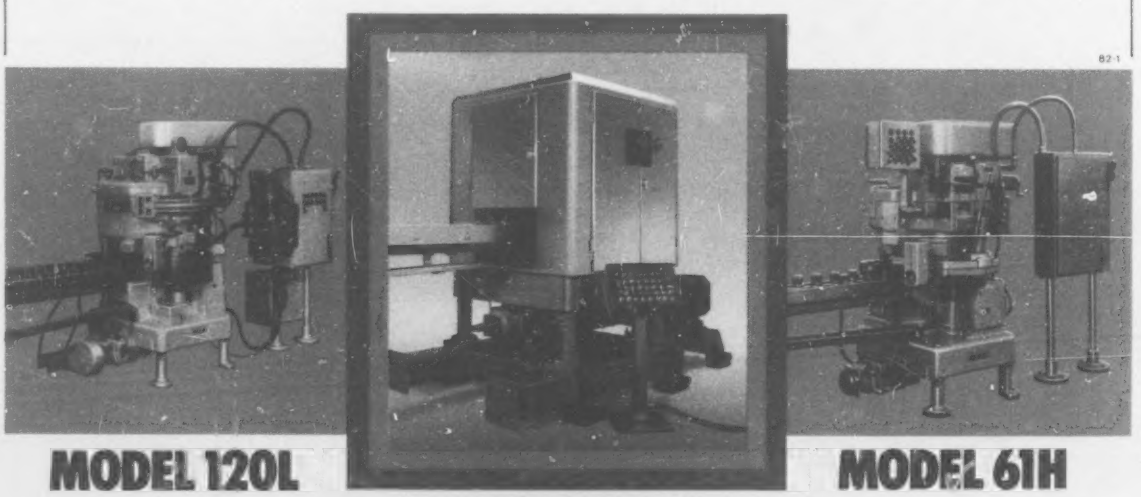

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AISI study finds steel more energy efficient

WASHINGTON DC—A study commissioned by the American Iron and Steel Institute has found that steel is up to 25% more energy efficient than aluminum in beverage cans but some are refuting the study.

Adding the figures for beer and soft drink cans in 1980 the study reported 30.5 trillion BTU's could have been saved if all cans were bimetallic. Translated into kilowatt hours, this energy is enough to service almost 700,000 average households for a year.

The study, researched by Arthur D. Little, Inc., summarized, "Aluminum cans do not save energy: while recycling does reduce the energy requirement of aluminum cans to a degree, the aluminum can is still the most energy intensive beverage or food container."

Specifically the study found that in 12-oz. beer containers the two-piece aluminum can requires 17% to 23% more energy for its life cycle than a two-piece bimetallic can. In the same size soft drink containers, the aluminum can requires 18% to 25% more energy.

Both the Reynolds Metals Co. and the Aluminum Association have criticized the study, however.

'erroneous findings'

"The findings are erroneous because they are based on energy requirements of 4,830 to 5,000 BTU's per container for aluminum cans figures which are obsolete today" Reynolds' Marketing Director Andrew H. McCutcheon told **Beverage Industry.**

In a written response to **BI,** the Aluminum Association said "It was clear that most of the aluminum data contained in it (the study) are erroneous or out of date."

The association added that energy content in aluminum cans is affected by process energy conservation, percentage of cans recycled and technology improvements,

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Life Cycle Energy Requirements: Beverage Containers

The Arthur D. Little, Inc. analysis determined the following energy requirements for a variety of containers.

*BB = base box, a measurement of surface area amounting to 31,360 square inches or 217.78 square feet.

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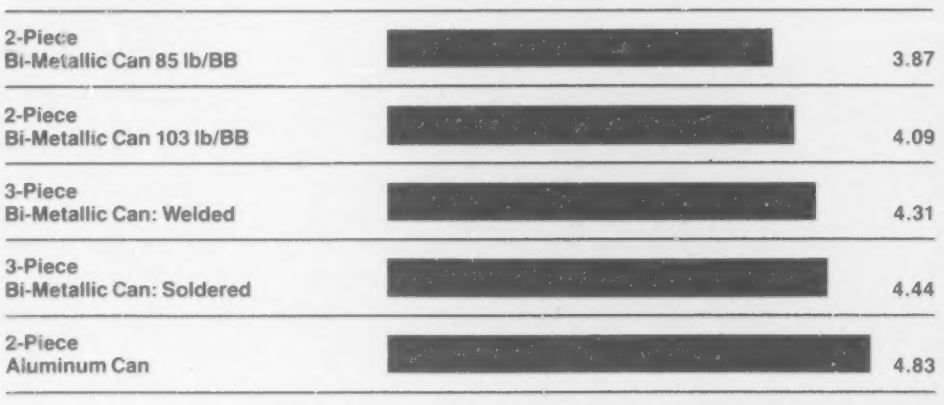

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Packaging

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Prospects for its future, though, look good. "I'm a fan of that sort of packaging system. It will become increasingly dominant." Stunay said.

Rita Simpson, public relations manager for Brik-Pak, Inc., said "We think it has a great deal of potential. We don't really have any customers on a national basis in the United States yet. Coke just announced it's going national. We've really just begun."

Simpson said most of the packaging in the United States is being done with milk and fruit juices. "There are lots of possibilities. Outside the United States, wine, pudding, mineral water and other products are being packaged aseptically," Simpson said.

labeling trends

The trend in labeling is toward larger billboard-like labels already applied to the bottle. Pre-labeled containers are taking up an increasingly larger share of the market.

Film labeling, a new innovation, probably won't have an instant effect on the market, one source said.

"In six months to a year, we will see some film label lines. For the moment, there's no film on the market that would represent a cost savings," said the industry official.

Cellu-Craft, Inc. has a new label that's "going to save the industry lots of money" according to Al Dalbec, national accounts manager.

The BX9 is a two-ply label with an inner layer of 26-lb. paper and an outer layer of polypropylene resin. It's being tested now on the West Coast.

It's being applied by a roll-fed labeler. "In terms of performance, it's doing fine," said Dalbec.

Owens-Illinois introduced Label-Lite II, a 2-L PET container with an enlarged and improved label.

The new heat-shrunk label

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Trucks

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have been refined into specialized tractors for beverage hauling, either for handling very large gooseneck trailers or slightly larger beverage delivery trailers.

The key question here is how much truck do you need? As the work for a truck goes up, there comes a time when air brakes are needed for safe operation. But those "sort-of" heavy loads don't necessarily need features of heavy duty trucks such as brawny axles and frames.

Beefed-up medium duty models, equipped for the beverage trailer application, can be the hardware that provides a truck that is properly equipped for the job and is not as expensive as a true heavy duty model.

2. IVECO, a European producer that assembles its trucks largely from parts made in Italy and Germany, has recently introduced something new in the U.S. market—strong, diesel-powered trucks that are set for a tough job but less heavily equipped and expensive than a true full-blown medium truck. They are well worth considering for such demanding jobs as pulling the heavier gooseneck beverage trailers but they haven't been available on the U.S. market long enough to report that anyone has used them long enough to prove that they fit this application.

Beverage haulers who use conventional van trailers, 40 to 45 feet in length, for volume distribution of their products, generally in wholesale work or in moving products to their regional distribution points, have the widest possible choice in selecting tractors.

Ford, Freightliner, GMC, International Harvester, Kenworth, Mack, Peterbilt, and White all produce tractors for long-distance, over-the-road hauling. And all of their trucks come with a wide selection of the most popular components. A buyer can have a choice of diesel engines from three manufacturers when ordering some tractors of this size.

To date, import lines have stayed away from the over-the-road tractor market in the U.S. but that could change.

'Shenandoah' name battle finally over

WASHINGTON, DC—In an attempt to play Solomon, The Bureau of Alcohol, Tobacco and Firearms (ATF) has ended a two-year battle and decided that both an Eastern and Western viticultural area can be called the "Shenandoah Valley."

But there's a catch. The one region bordering Virginia and West Virginia will be known as the "Shenandoah Valley," while California's Amador County will be called "Shenandoah Valley, California."

For the past two years, winemakers from both areas have fought to have their respective region exclusively proclaimed the "Shenandoah Valley." But ATF finally allowed both viticultural areas to go by the name since "the Shenandoah Valley in Virginia and West Virginia is nationally known, and California's Shenandoah Valley also is nationally known to wine consumers," said an ATF spokesman.

He added that use of the name "Shenandoah Valley, California," allows consumers to "readily identify where grapes used to make that wine are grown." Since the other region is well known, ATF is not requiring the addition of the two states on the wine label, he noted.

Winemakers' reaction to the decision has been mixed. Some claim it has not helped either side, while others maintain it is better than no ruling at all.

Packaging

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is 7.25 in. high and extends from the bottom of the base cup to the shoulder of the container.

The label has a high-gloss exterior with improved graphics; its smooth surface also has resulted in greater line efficiencies in the filling operation.

National Can Co. enlarged its PET bottle label from 3⅜ in. to 5¼ in.

"The billboard effect is an industry trend" a company spokesman said.

What's in store for the future of primary packaging? In his NSDA speech, Stupay predicted that although Americans will consume more cold beverages like soft drinks and beer, the packaged share could continue to decline because of the increasing number of fast food outlets with fountain service and states with mandatory deposit laws.

Stupay also foresees the development of a bulk dispensing unit for the home, which could also contribute to the competition for package share by glass, plastic and cans.

But what about the package itself? "The package of the future will be lighter, probably flexible or semi-rigid, and readily recyclable or easily crumpled and made bio- or photodegradable," said Stupay.

He believes this new packaging could reduce beverage production costs because various freight and handling costs from the package supplier to the bottling plant will be eliminated. But it's likely that research and development costs will rise in an attempt to reduce obsolete methods.

AISI study

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which allow for production of a greater number of cans per pound.

"In each of these areas the aluminum industry continues to make significant progress so it is essential to use the latest information in order to factually represent the current situation," the response said.

The steel institute discounted these claims, though.

Jim Spence, assistant vp of the institute, said, "Every conclusion in the study is very well documented."

Stanley Margolin of Arthur D. Little, Inc., added, "I feel that our numbers truly reflect life cycle energy for the containers. Are they looking at the life cycles or just what it takes to make the container. I hate to compare apples, bananas and oranges."

The steel study also said aluminum's recycling claim is misleading. "In practice, it is not possible to make cans from all-scrap material. As manufactured, aluminum cans contain a blend of 25 to 50% virgin material with the remainder scrap" the study said.

The study analyzed "life cycle energy" requirements for the different containers. This analysis measures the total energy required for the manufacture, use and ultimate disposal of the product.

The study further stated that while beverage cans have beer boosting their share of the total market, aluminum cans have been boosting their share of the beverage can market.

In the early '60s virtually the entire beverage can market used steel and that changed in the '70s. "From 1976 to 1980, the use of aluminum beverage cans grew by 93%, during the same period the use of steel beverage cans dropped by 25%. Today aluminum holds 75% of the beverage can market, chiefly because of the industry's widely promoted recycling program," the report concluded.

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